

# Wise ETF Portfolios

Quarterly commentary as of September 30, 2020



## Market overview

Market performance as of September 30, 2020

	3 months	1 year	3 years	5 years	10 years
<b>Fixed Income</b>					
FTSE Canada Universe Bond Index	0.44	7.08	6.09	4.26	4.35
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	0.81	3.77	4.46	3.99	4.22
<b>Equity</b>					
MSCI Canada Index (total return)	4.11	-2.17	2.81	5.93	4.78
MSCI USA Index (CAD) (total return)	7.40	17.44	14.69	13.64	16.23
MSCI EAFE Index (CAD) (total return)	2.78	1.39	2.85	5.18	7.42
MSCI Emerging Markets Index (CAD) (total return)	7.45	11.52	4.69	8.89	5.25
MSCI ACWI ex CANADA IMI (CAD) (total return)	6.07	10.91	9.02	10.01	11.64

Sources: Desjardins Investments Inc., Morningstar Inc.

## Comments on market performance

- The global economy has been gravely impacted COVID-19 and measures to curb the pandemic. Nevertheless, since the start of the quarter, a number of economic indicators have significantly improved, signalling a gradual economic recovery.
- The reopening of economies, government support programs, low interest rates and hopes for a coronavirus vaccine have helped spur the overall rise of global stock markets, including those in emerging markets which posted a gain of 7.4% over the quarter.<sup>1</sup> In this regard, China is one of a handful of countries that has already exceeded its pre-pandemic GDP.
- Like for many countries around the world, the strong rebound in activity over the summer due to the gradual lifting of lockdown measures enabled the Canadian economy to make up for some of its losses early in the year. The Canadian stock market advanced over the quarter, fuelled by industrials and materials. The Bank of Canada's decision to maintain key rates at their effective lower bound and its intention to pursue its easing program continue to support the Canadian economy.
- In the United States, the technology and consumer discretionary sectors contributed to advances on the country's main stock markets. At the same time, the U.S. presidential election has created its share of uncertainty for both local and global financial markets.
- In Europe, despite an improvement in most economic indicators, a number of signs of fading momentum are beginning to show. Furthermore, negotiations between the European Union and the United Kingdom have dragged on, reviving fears of a no-deal Brexit.
- The level of volatility on the global financial markets remains relatively high, particularly due to uncertainty tied to the COVID-19 pandemic and the development of a new vaccine.
- The Canadian dollar appreciated against the U.S. dollar, reducing returns for U.S. dollar-denominated assets, whereas it depreciated against most other international currencies, boosting returns for assets denominated in other currencies.

<sup>1</sup> Based on the MSCI Emerging Markets Index (CAD) (total return).

## Portfolio performance (C-Class) as of September 30, 2020

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Wise Fixed Income ETF Portfolio	-0.20	3.57	N/A	N/A	N/A	3.97	2019/07/08
Wise Conservative ETF Portfolio	1.08	2.89	N/A	N/A	N/A	3.37	2019/07/08
Wise Balanced ETF Portfolio	1.97	3.65	N/A	N/A	N/A	3.87	2019/07/08
Wise Growth ETF Portfolio	2.79	2.20	N/A	N/A	N/A	2.60	2019/07/08
Wise Maximum Growth ETF Portfolio	3.53	1.78	N/A	N/A	N/A	2.25	2019/07/08
Wise 100% Equity ETF Portfolio	4.20	3.62	N/A	N/A	N/A	3.66	2019/07/08

In contrast with the indexes, portfolio return is established net of fees and expenses.

Source: Desjardins Investments Inc.

## Comments on portfolio performance as of September 30, 2020

### Fixed Income

- All of the portfolio's fixed income ETFs posted positive returns, ranging from 0.3% (Vanguard U.S. Aggregate Bond Index ETF CAD-Hedged) to 2.1% (iShares J.P. Morgan USD Emerging Markets Bond Index CAD-Hedged).
- Desjardins Canadian Universe Bond Index ETF (0.5%) contributed the most to the portfolios' performance for the fixed income component.

### Equity

- All of the portfolio's equity ETFs posted positive returns, ranging from 0.9% (Desjardins Emerging Markets Multifactor-Controlled Volatility) to 6.8% (Vanguard S&P 500).
- The Vanguard S&P 500 (6.8%) and Vanguard FTSE Canada All Cap Index (4.5%) ETFs contributed the most to the portfolios' performance for the equity component. The iShares Core MSCI Emerging Markets ETF (7.7%) and iShares Core MSCI EAFE IMI Index ETF also made a significant contribution to the equity component.

## Contribution to portfolio performance (C-Class) as of September 30, 2020

	Fixed income	Equity	Tactical asset allocation
Wise Fixed Income ETF Portfolio	+	N/A	Neutral
Wise Conservative ETF Portfolio	+	+	-
Wise Balanced ETF Portfolio	+	++	-
Wise Growth ETF Portfolio	+	+++	-
Wise Maximum Growth ETF Portfolio	+	+++	-
Wise 100% Equity ETF Portfolio	N/A	+++	-

## Comments on portfolio tactical asset allocation (C-Class) as of September 30, 2020

- For the quarter, Desjardins Global Asset Management (DGAM) tactical interventions trimmed value slightly compared to neutral allocations, except for the Wise Fixed Income Portfolio, where the tactical interventions had a neutral effect.
- Wise Conservative, Balanced, Growth and Maximum Growth Portfolios: From a bond standpoint, DGAM maintains target weights on the basis that the potential for rate increases is low. DGAM is closely monitoring the signs of recovery before modifying the tactical allocation to this asset class. From an equity standpoint, despite the recent market volatility, DGAM considers the outlook for returns to be limited given the numerous uncertainties (economic recovery pace, third quarter financial results, China-US relations, bond market interventions and vaccine development). As a result, DGAM believes it is still appropriate to underweight equities in favour of a higher cash allocation. The slight underweight to equities detracted from the portfolios' performance.
- Wise 100% Equity Portfolio: Despite the recent market volatility, DGAM considers the outlook for returns to be limited given the numerous uncertainties (economic recovery pace, third quarter financial results volatility, China-US relations, bond market interventions and vaccine development). As a result, DGAM believes it is still appropriate to underweight equities in favour of a higher cash allocation. The slight underweight to equities detracted from the portfolio's performance.

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